
**ARISTOI CLASSICAL ACADEMY, INC.
(A NON PROFIT ORGANIZATION)**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

**Year Ended August 31, 2023
with Comparative Totals for 2022**



CPAs and Professional Consultants

ARISTOI CLASSICAL ACADEMY, INC.
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
TABLE OF CONTENTS

	<u>Page</u>
Certificate of Board	1
Independent Auditor’s Report	3
General Purpose Financial Statements:	
Statements of Financial Position	9
Statements of Activities	10
Statements of Cash Flows	12
Notes to the Financial Statements	13
Supplementary Information:	
Schedules of Expenses	28
Schedule of Capital Assets	29
Budgetary Comparison Schedule	30
Schedule of Real Property Ownership Interest	32
Schedule of Related Party Transactions	33
Schedule of Compensation and Benefits	34
Compensatory Education Program and Bilingual Education Program Compliance Responses	35
Compliance and Internal Controls:	
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	39
Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	41
Schedule of Findings and Questioned Costs	44
Schedule of Expenditures of Federal Awards	46
Notes to Schedule of Expenditures of Federal Awards	47
Summary Schedule of Prior Audit Findings	48
Corrective Action Plan	49

ARISTOI  CLASSICAL
ACADEMY

Aristoi Classical Academy, Inc.
(Federal Employer Identification Number: 76-0495959)

CERTIFICATE OF BOARD

Aristoi Classical Academy, Inc.

Name of Charter Holder

76-0495959

Federal Employer ID Number

Aristoi Classical Academy

Name of Charter School

Harris

County

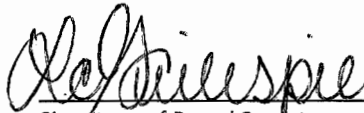
101-803

County District Number

We, the undersigned, certify that the attached Annual Financial and Compliance Report of Aristoi Classical Academy was reviewed and approved disapproved for the year ended August 31, 2023, at a meeting of the governing body of said charter school on the 22 day of January 2024.



Signature of Board President



Signature of Board Secretary



INDEPENDENT AUDITORS' REPORT

Board of Directors
Aristoi Classical Academy Inc.

Report on the Audit of Financial Statements

Opinion

We have audited the accompanying financial statements of Aristoi Classical Academy, Inc. (a nonprofit organization), which comprise the statement of financial position as of August 31, 2023 and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Aristoi Classical Academy, Inc. (the "Academy") as of August 31, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Academy and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Academy's ability to continue as a going concern for twelve months after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standard* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from

error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Academy's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Academy's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 23, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.


Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information identified in the table of contents and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the *accompanying supplementary information* is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Board of Directors
Aristoi Classical Academy, Inc.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2024 on our consideration of the Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Academy's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control over financial reporting and compliance.


Houston, Texas
January 22, 2024



GENERAL PURPOSE FINANCIAL STATEMENTS



ARISTOI CLASSICAL ACADEMY, INC.
STATEMENTS OF FINANCIAL POSITION

	August 31,	
	2023	2022
Assets		
Current Assets:		
Cash and Cash Equivalents	\$ 3,768,200	\$ 3,820,695
Due from Texas Education Agency	1,740,628	1,890,452
Other Receivables	60,000	-
Restricted Cash	1,596,668	1,544,208
Total Current Assets	<u>7,165,496</u>	<u>7,255,355</u>
Noncurrent Assets:		
Property and Equipment, net	11,210,217	11,405,516
Right-to-Use Asset, net	1,594,527	1,859,079
Total Noncurrent Assets	<u>12,804,744</u>	<u>13,264,595</u>
Total Assets	<u>\$ 19,970,240</u>	<u>\$ 20,519,950</u>
Liabilities and Net Assets		
Liabilities:		
Current liabilities:		
Accounts payable	\$ 102,014	\$ 223,675
Accrued interest payable	396,563	402,000
Payroll deductions and withholdings	131,931	123,341
Accrued salaries payable	306,279	241,484
Current portion of finance lease liability	211,791	202,353
Current portion of bonds payable	155,000	145,000
Total Current Liabilities	<u>1,303,578</u>	<u>1,337,853</u>
Bonds net of discount, issue costs and finance lease liability	11,548,988	11,897,103
Total Liabilities	<u>12,852,566</u>	<u>13,234,956</u>
Net Assets:		
Without donor restrictions	4,089,839	3,475,763
With donor restrictions	3,027,835	3,809,231
Total Net Assets	<u>7,117,674</u>	<u>7,284,994</u>
Total Liabilities and Net Assets	<u>\$ 19,970,240</u>	<u>\$ 20,519,950</u>

ARISTOI CLASSICAL ACADEMY, INC.
STATEMENTS OF ACTIVITIES

	Without Donor Restrictions	With Donor Restrictions	August 31,	
			2023	2022
Revenues				
Local Support:				
Earnings from deposits and investments	\$ 62,368	\$ -	\$ 62,368	\$ 13,405
Gifts and bequests	306,660	-	306,660	300,108
Other revenues from local sources	245,048	-	245,048	145,835
Food Service Activity		254,555	254,555	38,325
Total Local Support	<u>614,076</u>	<u>254,555</u>	<u>868,631</u>	<u>497,673</u>
State Program Revenues:				
Per Capita and Foundation School				
Program Act Revenues	-	12,401,847	12,401,847	11,108,905
State Program Revenues Distributed by Texas Education Agency	-	283,669	283,669	166,764
Total State Program Revenues	<u>-</u>	<u>12,685,516</u>	<u>12,685,516</u>	<u>11,275,669</u>
Federal Program Revenues:				
ESEA Title I, Part A	-	22,774	22,774	64,053
ESEA Title II, Part A	-	41,091	41,091	2,404
National School Breakfast and Lunch	-	242,390	242,390	567,700
ESEA Title III, Part A	-	2,911	2,911	1,180
IDEA Part B, Formula	-	202,361	202,361	174,160
IDEA Part B, Pre-School	-	980	980	891
CARES Act, Section 18003 - Emergency and Secondary School Emergency Relief Fund (ESSER) Grant (COVID-19)	-	-	-	12,665
CRRSAA, ESSER II (COVID-19)	-	184,559	184,559	60,930
ARP, ESSER III (COVID-19)	-	128,644	128,644	398,009
ARP IDEA Part B Formula (COVID-19)	-	-	-	43,990
ARP IDEA Part B Preschool (COVID-19)	-	-	-	1,978
Supplemental ESSER ARPA (COVID-19)		65,214	65,214	239,666
Texas COVID Learning Acceleration Supports (TCLAS) ESSER III (COVID-19)		181,181	181,181	453,784
Title IV, Part A, Subpart 1	-	10,000	10,000	83,608
Total Federal Program Revenues	<u>-</u>	<u>1,082,105</u>	<u>1,082,105</u>	<u>2,105,018</u>
Net Assets Released from Restrictions:				
Restrictions satisfied by payments	14,803,572	(14,803,572)	-	-
Total Revenues	<u>15,417,648</u>	<u>(781,396)</u>	<u>14,636,252</u>	<u>13,878,360</u>

The accompanying notes are an integral part of these financial statements.

	Without Donor Restrictions	With Donor Restrictions	August 31,	
			2023	2022
Expenses				
Instruction	\$ 7,711,761	\$ -	\$ 7,711,761	\$ 7,241,093
Instructional Resources and Media Services	22,917	-	22,917	37,309
Curriculum Development and Instructional Staff Development	108,236	-	108,236	91,736
Instructional Leadership	83,317	-	83,317	64,676
School Leadership	1,395,708	-	1,395,708	1,392,302
Guidance, Counseling & Evaluation Services	304,339	-	304,339	161,335
Health Services	136,685	-	136,685	155,657
Food Services	513,980	-	513,980	465,687
Extracurricular Activities	168,147	-	168,147	106,160
General Administration	912,926	-	912,926	844,997
Facilities Maintenance and Operations	1,875,839	-	1,875,839	1,767,749
Security and Monitoring Services	90,809	-	90,809	54,222
Data Processing Services	337,557	-	337,557	263,565
Debt Services	826,349	-	826,349	913,936
Fund Raising	315,002	-	315,002	244,091
Total Expenses	<u>14,803,572</u>	<u>-</u>	<u>14,803,572</u>	<u>13,804,515</u>
Change in Net Assets from operations	614,076	(781,396)	(167,320)	73,845
Net Operating Assets, beginning of year	<u>3,475,763</u>	<u>3,809,231</u>	<u>7,284,994</u>	<u>6,430,691</u>
Net Operating Assets, end of year	<u>4,089,839</u>	<u>3,027,835</u>	<u>7,117,674</u>	<u>6,504,536</u>
Non-Operating Revenues (Expenses)				
Gain (loss) on sale of real and personal property	-	-	-	780,446
Non-Operating Revenues (Expenses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>780,446</u>
Total Change in Net Assets	614,076	(781,396)	(167,320)	854,291
Net Assets, beginning of year	<u>3,475,763</u>	<u>3,809,231</u>	<u>7,284,994</u>	<u>6,430,691</u>
Net Assets, end of year	<u>\$ 4,089,839</u>	<u>\$ 3,027,835</u>	<u>\$ 7,117,674</u>	<u>\$ 7,284,982</u>

ARISTOI CLASSICAL ACADEMY, INC.
STATEMENTS OF CASH FLOWS

	August 31,	
	2023	2022
Cash flows from operating activities:		
Foundation school program payments	\$ 12,401,847	\$ 10,991,367
Grant payments	1,171,929	1,114,840
Other state and local revenue payments	1,152,300	664,437
Payments to vendors for goods and services rendered	(3,660,936)	(3,371,580)
Payments to charter school personnel for services rendered	(9,685,548)	(8,712,381)
Interest payments	(827,348)	(897,928)
Net cash provided for (used by) operating activities	<u>552,244</u>	<u>(211,245)</u>
Cash flows from investing activities:		
Purchase of Land	-	(3,800)
Building and Leasehold Improvements	(204,926)	(644,224)
Net cash provided (used) by investing activities	<u>(204,926)</u>	<u>(648,024)</u>
Cash flows from financing activities:		
Reduction of Finance Lease Liability	(202,353)	(136,376)
Principal payments on bonds	(145,000)	(135,000)
Net cash provided (used) by financing activities	<u>(347,353)</u>	<u>(271,376)</u>
Net Change in cash and cash equivalents	(35)	(1,130,645)
Beginning cash and cash equivalents	5,364,903	6,495,548
Ending cash and cash equivalents	<u>\$ 5,364,868</u>	<u>\$ 5,364,903</u>
Unrestricted cash and cash equivalents	\$ 5,364,868	\$ 3,820,695
Restricted cash and cash equivalents	-	1,544,208
	<u>\$ 5,364,868</u>	<u>\$ 5,364,903</u>
Reconciliation of change in net assets to net cash provided (used) by operating activities:		
Increase (decrease) in net assets	\$ (167,320)	\$ 73,845
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Deprecation	400,224	379,673
Amortization	283,228	267,701
(Increase) decrease in:		
Due from Texas Education Agency	149,824	(995,478)
Other receivables	(60,000)	5,300
Increase (decrease) in operating liabilities:		
Accounts payable	(121,660)	129,952
Accrued interest payable	(5,437)	(5,063)
Accrued salaries payable and related liabilities	73,385	40,663
Due to state	-	(117,538)
Net cash provided by operating activities	<u>\$ 552,244</u>	<u>\$ (211,245)</u>
Noncash Investing and financing activities:		
Obtaining a right-of-use asset in exchange for a lease liability	\$ -	\$ 1,750,183

ARISTOI CLASSICAL ACADEMY, INC.

NOTES TO THE FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies

The general-purpose financial statements of Aristoi Classical Academy, Inc. (the "Academy") were prepared in conformity with accounting principles generally accepted in the United States. The Financial Accounting Standards Board is the accepted standard setting body for establishing not-for-profit accounting and financial reporting principles.

Reporting Entity

The Academy is a not-for-profit organization incorporated in the State of Delaware in 1996 and is exempt from federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code. The Academy is governed by a Board of Directors comprised of seven members. The members of the Board of Directors are appointed in accordance with provisions contained in the bylaws of the Academy. The Board of Directors has the authority to make decisions, appoint the administrator of the Academy, and significantly influence operations. The Board of Directors has primary accountability for the fiscal affairs of the Academy.

Since the Academy receives funding from local, state, and federal government sources, it must comply with the requirements of the entities providing those funds.

Corporate Operations

The Academy provides educational services in the City of Katy to students in grades Kindergarten through the 12th grade. In 2013, the Commissioner of Education approved the addition of grade 9 and in 2014 approved the addition of grades 10-12. The programs, services, activities, and functions are governed by the Charter Holder's Board of Directors. In 1996, the Texas State Board of Education granted the Charter Holder an open-enrollment charter pursuant to Chapter 12 of the Texas Education Code pursuant to the program described in the charter application approved by the State Board of Education and the terms of the applicable contract for charter. The Academy is part of the public school system of the State of Texas and is, therefore, entitled to distributions from the State's available school fund. The Academy does not have the authority to impose ad valorem taxes on its district or to charge tuition.

The Academy's charter was approved for renewal on July 31, 2021 and will expire on July 31, 2031.

Effective July 1, 2019, a charter amendment for purposes of High-Quality Campus Designation was approved. A new charter school campus under its existing open-enrollment charter is called Aristoi Classical Academy-Cypress is approved to serve kindergarten through 12th grade, but is currently services kindergarten through 7th grade.

On July 1, 2020, a charter amendment to increase the maximum student enrollment from 1128 to 2,256 was approved.

On April 13, 2021 the Commissioner approved to add two additional campuses under the existing open-enrollment charter in greater Houston and in Southwest Houston. Each campus will serve students in kindergarten through 12th grade. Additionally, the maximum student enrollment was increased from 2,256 to 3,384.

Basis of Accounting and Presentation

The accompanying general purpose financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. The most sensitive estimate affecting the Academy's financial statements was the depreciation of capital assets and functional allocation of expenses.

ARISTOI CLASSICAL ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

Contributions

The Academy accounts for contributions in accordance with FASB ASC Topic 958-605, *Accounting for Contributions Received and Contributions Made*. In accordance with FASB ASC Topic 958-605, contributions are recorded as support with or without donor restrictions depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in with donor restrictions in the reporting period in which the support is recognized. When a restriction expires, with donor restrictions are reclassified to without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Cash and Cash Equivalents

For financial statement purposes, the Academy considers all highly liquid investment instruments with an original maturity of three months or less to be cash equivalents.

Revenue Recognition

State Foundation School Program revenues are recognized based on the reported student attendance. State and Federal grant revenues are recognized when services are rendered. Contributions and other revenues are recognized when received or unconditionally promised by a third party.

Capital Assets

Capital assets, which include buildings and improvements, furniture and equipment, vehicles, right-to-use assets and other personal property, are reported in the general-purpose and specific-purpose financial statements. Capital assets are defined by the Academy as assets with an individual cost of more than \$5,000 and a useful life over one year. Such assets are recorded at historical cost and are depreciated over the estimated useful lives of the assets, which range from three to thirty-nine years, using the straight-line method of depreciation. Expenditures for additions, major renewals and betterments are capitalized, and maintenance and repairs are charged to expenses as incurred. Donations of assets are recorded as direct additions to net assets at fair value at the date of donation, which is then treated as cost. The Academy had no donated capital assets at August 31, 2023.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses.

ARISTOI CLASSICAL ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor- or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified as either without donor restrictions or with donor restrictions.

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. As of August 31, 2023, net assets without donor restrictions totaled \$4,089,839 and \$3,475,763 for fiscal year 2022.

Net Assets With Donor Restrictions - Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. As of August 31, 2023, net assets with donor restrictions totaled \$3,027,835 and \$3,809,231 as of fiscal year 2022..

In accordance with state law, a charter holder is entitled to receive state aid for the charter school based on student attendance; however, before the charter holder may reclassify state aid from net assets with donor restrictions to net assets without donor restrictions, it must meet a two-part test.

1. First, the charter school must demonstrate that it expended state aid for the benefit of its students.
2. Second, the charter school must expend state aid consistent with TEC, §45.105(c).

As described in Note 11, the majority of Academy's revenue is comprised of state aid from the Texas Education Agency.

Functional Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the notes to the financial statements. The Texas Education Agency mandates a specific account coding that requires open enrollment charter schools to record expenses to a unique combination of function and object. Generally, the Academy records its expenses based on direct allocation by assigning each expense to a functional category based on direct usage. See Note 13 for more information.

Income Taxes

The Academy is a nonprofit corporation that is exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code ("the Code") and comparable State of Texas law. The Academy did not conduct any unrelated business activities in the current fiscal year. Therefore, the Academy has made no provision for federal income taxes in the accompanying financial statements. The Academy has also been classified as a publicly supported Academy, which is not a private foundation under Section 509(a) of the Code. Accordingly, contributions to the Academy are tax deductible within the limitations prescribed by the Code.

The Academy applies the provisions of FASB ASC Topic 740, *Income Taxes*, which prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FASB ASC Topic 740 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. The Academy believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

ARISTOI CLASSICAL ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

New Accounting Pronouncement

On February 25, 2016, the Financial Accounting Standards Board issued Accounting Standards Update (“ASU”) 2016-02, *Leases* (Topic 842). The Academy adopted the ASU on September 1, 2020 and has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

Note 2 - Capital Assets

Capital assets at August 31, 2023 and 2022, were as follows:

	2023	2022
Land	\$ 3,809,555	\$ 3,809,556
Building and leasehold improvements	10,464,731	10,259,804
Furniture and playground equipment	250,193	250,193
Vehicles	17,282	17,282
Right-to-Use Asset	2,351,955	2,351,955
Total Property and Equipment	16,893,716	16,688,790
Less Accumulated Depreciation and Amortization	(4,088,971)	(3,424,195)
Property and Equipment, Net	\$ 12,804,745	\$ 13,264,595

Depreciation and amortization expense for the fiscal years ended August 31, 2023 and August 31, 2022, was \$664,776 and \$379,673, respectively.

Capital assets acquired with public funds received by the Academy for the operation of Aristoi Classical Academy constitute public property pursuant to Chapter 12 of the Texas Education Code. These assets are specifically identified on the Schedule of Capital Assets.

Note 3 - Concentration of Credit and Business Risk

The Academy maintains demand deposits with a U.S. local banking institution. Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the Academy will not be able to recover its deposits. The Academy maintains deposits at a federally insured bank and strives to minimize its exposure to custodial credit risk. At August 31, 2023, the carrying amount of the Academy’s cash deposits was \$5,364,868 and the bank’s balance was \$5,515,397. In addition, the carrying amount and the bank balance of the Academy’s restricted cash was \$1,596,668 in 2023 and \$1,544,208 in 2022. All deposits at the banking institution were fully insured by the Federal Deposit Insurance Corporation’s (FDIC) or secured by a collateral from the financial institution as of August 31, 2023.

Approximately 80% of the Academy’s total revenue for fiscal year 2023 was provided by the State funding for the Per Capita and State Foundation Aid.

ARISTOI CLASSICAL ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 4 - Defined Benefit Pension Plans

A. Plan Description

The Academy contributes to the Teacher Retirement System of Texas ("TRS"), a cost sharing, multiple-employer defined benefit pension plan with one exception; all risks and costs are not shared by the charter school, but are the liability of the State of Texas. TRS administers the retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas.

The plan operates primarily under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government code, Title 8, Chapters 803 and 805 respectively. The Texas State legislature has the authority to establish and amend benefit provisions of the pension plan and may, under certain circumstances, grant special authority to the TRS Board of Trustees. TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit plan.

Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Annual Comprehensive Financial Report that includes financial statements and required supplementary information. That report may be obtained on the internet at <https://www.trs.texas.gov/TRS Documents/acfr-2021.pdf> or by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698, or by calling (512) 542-6592.

Charter schools are legally separate entities from the State and each other. Assets contributed by one charter or independent school district ("ISD") may be used for the benefit of an employee of another ISD or charter. The risk of participating in multi-employer pension plans is different from single-employer plans. Assets contributed to a multi-employer plan by one employer may be used to provide benefits to employees of other participating employers. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers. There is no withdrawal penalty for leaving the TRS system. There is no collective-bargaining agreement. The TRS Annual Comprehensive Financial Report available dated August 31, 2022 and August 31, 2021 indicated the following:

TRS Pension Fund	Total Plan Assets	TRS Plan Fiduciary Net Position	Total Pension Liability	Net Pension Liability	Percent Funded
2022	\$ 207,621,897,538	\$ 184,185,617,196	\$ 243,553,045,455	\$ 59,367,428,259	75.62%
2021	223,172,755,137	201,807,002,496	227,273,463,630	25,466,461,134	88.79%
2020	184,361,870,581	165,416,245,243	218,974,205,084	53,557,959,841	75.54%
2019	181,800,159,205	157,978,199,075	209,961,325,288	51,983,126,213	75.24%
2018	176,942,453,923	154,568,901,833	209,611,328,793	55,042,426,960	73.74%
2017	165,379,342,000	147,361,922,120	179,336,534,819	31,974,612,699	82.17%
2016	152,925,647,000	134,008,637,473	171,797,150,487	37,788,513,014	78.00%

ARISTOI CLASSICAL ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 4 - Defined Benefit Pension Plans (continued)

B. Funding Policy

Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member’s annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements, if, as a result of the particular action, the time required to amortize TRS’ unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. Actuarial implications of the funding provided in the manner are determined by the System’s actuary. Employee contribution rates are set in state statute, Texas Government Code 825.402. The TRS Pension Reform Bill (Senate Bill 12) of the 86th Texas Legislature amended Texas Government Code 825.402 for member contributions and increased employee and employer contribution rates for fiscal years 2020 thru 2025. Measurement years for TRS begin on September 1st and end on August 31st.

	Contribution Rates	
	Plan Fiscal Year	
	2022	2023
Member	8.00%	8.00%
Employer	7.75%	8.00%
Non-Employer Contributing Entity (State)	7.75%	8.00%

The Academy’s employee contributions, covered payroll, and Non-OASDI payments for 2022 (the measurement year) and the current fiscal year (2023) are shown below.

	Contributions Required and Made During the Measurement Year	TRS Contributions Made During the Fiscal Year
Total Covered Payroll	\$7,440,564	\$8,676,606
Member (Employee)	594,874	695,025
Charter School	138,611	182,377
Non-OASDI Surcharge	126,418	156,360

The Academy’s contributions into this plan do not represent more than 5% of the total contributions to the plan and the charter school was not assessed a surcharge.

ARISTOI CLASSICAL ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 5 - Defined Other Post-Employment Benefit Plan

A. Plan Description

The Academy participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost-sharing defined Other Post-Employment Benefit (OPEB) plan that has a special funding situation. The plan is administered through a trust by the Teacher Retirement System of Texas (TRS) Board of Trustees. It is established and administered in accordance with the Texas Insurance Code, Chapter 1575.

Similar to the TRS Pension Plan discussed in Note C, charter schools are legally separate entities from the State and each other. Assets contributed by one charter or independent school district ("ISD") may be used for the benefit of an employee of another ISD or charter. The risk of participating in multi-employer pension plans is different from single-employer OPEB plans. Assets contributed to a multi-employer OPEB plan by one employer may be used to provide benefits to employees of other participating employers. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers. There is no withdrawal penalty for leaving the TRS system. There is no collective-bargaining agreement. The TRS Annual Comprehensive Financial Report available dated August 31, 2022.

TRC Care Other Post- Employment Benefits (OPEB)	TRS-Care Plan				
	Total Plan Assets	Fiduciary Net Position	Total OPEB Liability	Net OPEB Liability	Percent Funded
2022	\$ 3,308,391,215	\$ 3,117,937,218	\$ 27,061,942,520	\$ 23,944,005,302	11.52%
2021	2,733,911,371	2,539,242,470	41,113,711,083	38,574,468,613	6.18%
2020	2,146,681,144	1,996,317,932	40,010,833,815	38,014,515,883	4.99%
2019	1,475,508,564	1,292,022,349	48,583,247,239	47,291,224,890	2.66%
2018	1,001,649,953	798,574,633	50,729,490,103	49,930,915,470	1.57%
2017	526,397,969	399,535,986	43,885,784,621	43,486,248,635	0.91%

Employee Benefit Plan Fiduciary Net Position

Detail information about the TRS-Care's fiduciary net position is available in the separately-issued TRS Annual Comprehensive Financial Report that includes financial statements and required supplementary information. That report may be obtained on the internet at <https://www.trs.texas.gov/TRS%20Documents/acfr-2022.pdf> , or by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698, or by calling (512) 542-6592.

TRS-Care provides a basic health insurance coverage (TRS-Care 1), at no cost to all retirees from public schools, charter schools, regional education service centers and other educational districts who are members of the TRS pension plan. Optional dependent coverage is available for an additional fee.

Eligible retirees and their dependents not enrolled in Medicare may pay premiums to participate in one of two optional insurance plans with more comprehensive benefits (TRS-Care 2 and TRS-Care 3). Eligible retirees and dependents enrolled in Medicare may elect to participate in one of the two Medicare health plans for an additional fee. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. There are no automatic post-employment benefit changes; including automatic COLAs.

ARISTOI CLASSICAL ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 5 - Defined Other Post-Employment Benefit Plan (continued)

B. Benefits Provided

The premium rates for the optional health insurance are based on years of service of the member. The schedule below shows the monthly rates for a retiree with and without Medicare coverage.

TRS-Care Monthly for Retirees		
	Medicare	Non-Medicare
Retiree or Surviving Spouse	\$ 135	\$ 200
Retiree and Spouse	529	689
Retiree or Surviving Spouse and Children	468	408
Retiree and Family	1,020	999

C. Contributions

Contribution rates for the TRS-Care plan are established in state statute by the Texas Legislature, and there is no continuing obligation to provide benefits beyond each fiscal year. The TRS-Care plan is currently funded on a pay-as-you-go basis and is subject to change based on available funding. Funding for TRS-Care is provided by retiree premium contributions and contributions from the state, active employees, and school districts based upon public school district payroll. The TRS Board of trustees does not have the authority to set or amend contribution rates. Texas Insurance Code, section 1575.202 establishes the state’s contribution rate which is 1.25% of the employee’s salary. Section 1575.203 establishes the active employee’s rate which is 0.75% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

	Contribution Rates	
	2023	2022
Active Employee	0.65%	0.65%
Employers	0.75%	0.75%
Federal/Private Funding remitted by Employers	1.25%	1.25%

In fiscal year 2023, the Academy contributed a total of \$68,676 and \$3,151 was for federal employees. The covered payroll in 2023 was \$8,676,606. In fiscal year 2022, the Academy contributed a total of \$60,925 of which, \$5,155 was for federally funded employees. Employees contributed a total of \$48,337 and covered payroll for TRS-Care was \$7,440,564.

Note 6 - Health Care Coverage

During the years ended August 31, 2023 and August 31, 2022, employees of the charter school were covered by a Health Insurance Plan (the Plan). The Academy contributed \$225 per month per employee to the Plan from September 2013 to August 2023. Employees, at their option, authorized payroll withholdings to pay contributions or premiums for dependents. All premiums were paid to licensed insurers.

ARISTOI CLASSICAL ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 7 - Bonds Payable

During the 2023 fiscal year, long-term debt consisted of the following revenue bonds payable:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Education Revenue Bonds, Series 2016 A	\$ 10,720,000	\$ -	\$ (145,000)	\$ 10,575,000	\$ 155,000
Bond issuance costs	(368,526)	-	14,238	(354,288)	-
Bond discount	(152,588)	-	4,436	(148,152)	-
	<u>\$ 10,198,886</u>	<u>\$ -</u>	<u>\$ (126,326)</u>	<u>\$ 10,072,560</u>	<u>\$ 155,000</u>

In February 2016, the Aristoi Classical Academy entered into a bond agreement with Pottsboro Higher Education Finance Corporation (the "Issuer") and secured bond financing pursuant to Chapter 53 of the Texas Education Code to authorize the issuance of "Qualified Tax Exempt" Education Revenue Bonds Series 2016A not to exceed \$11,130,000. In fiscal year 2016, the total amount of \$4,750,000 was drawn down in Series 2016A bonds and \$100,000 of Taxable Education Revenue Bonds Series 2016B. In fiscal year 2017, \$1,095,000 and \$2,355,000 for a total amount of \$3,450,000 were drawn down in Series 2016A bonds. In fiscal year 2018, \$2,780,000 was drawn down in Series 2016A bonds. No draws were made during fiscal year end August 31, 2023 or 2022. The total revenue bonds payable as of fiscal year 2023 was \$10,575,000. Taxable Education Revenue Bond Series 2016B was paid off in fiscal year 2018.

Series	Original Issue	Interest Rate	Maturity Date	Amount Outstanding
Education Revenue Bond Series 2016 A	\$ 10,980,000	7.50%	September 1, 2047	\$ 10,575,000
	<u>\$ 10,980,000</u>			<u>\$ 10,575,000</u>

The Bond Series 2016A listed above was issued in prior year at a discount and the Academy incurred bond issuance costs. In fiscal year 2023, the bond issuance costs and bond discount balances were \$354,288 and \$148,152, respectively. The discount and the bond issuance costs are amortized over the life of the bond.

Proceeds from the issuance of Bonds during fiscal year 2016 were used to purchase land in Katy, Texas, and pay related bond issuance costs. The Bonds were secured by a first lien on the land and buildings of the Charter Holder.

Monthly payments for the bond are held by the U.S. Bank (Trustee). The Trustee pays interest due each March 1st and September 1st to the Issuer.

Bond payment requirements to maturity are as follows:

Year Ending August 31	Principal	Interest	Total
2024	\$ 155,000	787,313	942,313
2025	165,000	775,313	940,313
2026	180,000	762,375	942,375
2027	195,000	748,316	943,316
2028-2032	1,210,000	3,490,500	4,700,500
2033-2037	1,735,000	2,944,688	4,679,688
2038-2042	2,485,000	2,160,937	4,645,937
2043-2047	4,450,000	1,071,000	5,521,000
	<u>\$ 10,575,000</u>	<u>\$ 12,740,442</u>	<u>\$ 23,315,442</u>

ARISTOI CLASSICAL ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 7 - Bonds Payable (continued)

During the 2023 fiscal year, the Academy did not have any draws. The projected draw down schedule which included draws from prior year is as follows:

<u>Draw Date</u>	<u>Series A Draw</u>	<u>Series B Draw</u>	<u>Tax-Exempt Series A Balance</u>
3/17/2016	\$ 4,750,000	\$ 100,000	\$ 4,750,000
11/18/2016	1,095,000	-	5,845,000
5/26/2017	2,355,000	-	8,200,000
9/8/2017	2,780,000	-	10,980,000

Bond Covenants

The Academy is subject to the following covenants resulting from the bond issue:

Debt Service Coverage Ratio: Available Revenues for each Fiscal Year must be equal to at least 120% of the Annual Debt Service Requirements of the Company as of the Fiscal Year ending August 31, 2023 and annually thereafter until the Bonds have been paid in full. The Academy's debt service ratio using fiscal year 2023 ratios and the Texas Education Agency's calculation, was 1.19. The Academy will continue to monitor it and ensure that it is always at 1.20 or higher.

Liquidity Requirement: For so long as the Bonds are Outstanding, the Academy shall budget and maintain operating reserves for each Fiscal Year beginning with the Fiscal Year ended August 31, 2023, in an amount equal to the required number of Days' Cash on Hand for the period set forth below:

<u>For the Fiscal Year Ending</u>	<u>Days' Cash on Hand Required</u>
August 31, 2018	85
August 31, 2019 and thereafter	90

Note 8 - Due from State and Other Governments and Due to State

Amounts due from the Texas Education Agency at August 31, 2023 and 2022, consisted of the following:

	<u>2023</u>	<u>2022</u>
State Foundation Aid	\$ 1,357,429	\$ 1,111,469
Title I, Part A		31,631
IDEA, Part B Formula	33,930	77,858
Title II, Part A	7,573	868
Title III, Part A	1,804	-
Child Nutrition	-	12,695
Emergency and Secondary School		
Emergency Relief Fund II (ESSER II) COVID-19	111,197	12,585
ARP ESSER III COVID-19	97,457	46,856
ARPA ESSER III Supp COVID-19	-	239,666
ARPA TCLAS	9,669	276,222
Other federal funds	-	3,600
Blended Learning	-	53,979
Instructional Materials Allotment	121,569	23,023
	<u>\$ 1,740,628</u>	<u>\$ 1,890,452</u>

ARISTOI CLASSICAL ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 9 - Financing Leases

The Academy leases property, modular portable classrooms and office equipment. Lease agreements are renewed and will expire in 2030, 2022, and 2023 respectively. The discount rate used to calculate the interest is 5%, the Academy's incremental borrowing rate. The future principal and interest payments due are shown below.

<u>Fiscal Year Ending August 31</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 211,791	\$ 93,576
2025	410,473	64,233
2026	208,375	56,361
2027	232,579	45,395
2028	258,701	33,175
Thereafter	521,300	24,514
Total	<u>\$ 1,843,219</u>	<u>\$ 317,254</u>

The total principal and interest paid for the current year totaled \$202,353 for the current year. The Academy has three leases: two modular buildings and one copier. The right-to-use assets historical costs total \$2,351,955 with related accumulated amortization of \$757,428.

Note 10 - Commitments and Contingencies

The Academy receives funds through state and federal programs that are governed by various statutes and regulations. State program funding is based primarily in student attendance data submitted to the Texas Education Agency and is subject to audit and adjustment. Expenses charged to federal programs are subject to audit and adjustment by the grantor agency. The programs administered by the charter school have complex compliance requirements, and should state or federal auditors discover areas of noncompliance, charter school funds may be subject to refund if so determined by the Texas Education Agency or the grantor agency.

Note 11 - State Aid

Charter schools in the State of Texas participate in the State foundation program. Under this program, each charter school is entitled to receive these revenues based upon student enrollment and average daily attendance. Each charter school is required to file enrollment and attendance reports at the close of each six weeks reporting period, and at the close of the year, actual attendance is calculated by the TEA and the attendance reports are subject to audit by the TEA and final State foundation program earnings may be adjusted as a result of any such audit. During the period ended August 31, 2023, and August 31, 2022, the Charter Holder earned \$12,638,547 and \$11,275,669, respectively, of Per Capita and State Foundation Aid funds (before any possible TEA enrollment and attendance audit).

ARISTOI CLASSICAL ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 12 - Net Assets With Donor Restrictions

Net assets with donor restrictions as of August 31, 2023 and 2022 are as follows:

	<u>As of August 31, 2023</u>	<u>As of August 31, 2022</u>
Federal Funds	\$ 176,982	\$ 191,484
State Funds	2,850,853	3,617,747
Total With Donor Restrictions	<u>\$ 3,027,835</u>	<u>\$ 3,809,231</u>

Net assets were released from restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors as follows:

	<u>For the Year Ended August 31, 2023</u>	<u>For the Year Ended August 31, 2022</u>
State Funds	\$ 13,458,960	\$ 11,836,526
Federal Funds	1,344,612	1,967,989
Total Restrictions released	<u>\$ 14,803,572</u>	<u>\$ 13,804,515</u>

Note 13 - Functional Expenses

The Academy's expenses are coded directly to the functional category as established by the Texas Education Agency. Below expenses are reflected by functional category and natural classification or object class.

		<u>Expenses by Object Class</u>					<u>August 31,</u>	
<u>Expense by Functional Category</u>	<u>Payroll Costs</u>	<u>Contracted Services</u>	<u>Supplies and Materials</u>	<u>Other Operating Costs</u>	<u>Debt (Interest and fees)</u>	<u>2023</u>	<u>2022</u>	
11 Instruction	\$ 6,474,992	\$ 556,905	\$ 630,842	\$ 49,023	\$ -	\$ 7,711,762	\$ 7,241,093	
12 Instructional resources and media services	-	-	22,917	-	-	22,917	37,309	
13 Curriculum development and instructional staff development	10,539	23,925	6,646	67,126	-	108,236	91,736	
21 Instructional leadership	83,317	-	-	-	-	83,317	64,676	
23 School leadership	1,354,103	15,671	16,759	9,175	-	1,395,708	1,392,302	
31 Guidance, counseling and evaluation services	271,124	27,070	5,740	405	-	304,339	161,335	
33 Health services	115,195	7,075	14,415	-	-	136,685	155,657	
35 Food service	265,058	737	247,840	345	-	513,980	465,687	
36 Cocurricular/Extracurricular activities	62,406	15,702	51,981	38,058	-	168,147	106,160	
41 General administration	616,152	228,427	25,352	42,995	-	912,926	844,997	
51 Plant maintenance and operations	213,234	852,091	63,077	747,436	-	1,875,838	1,767,749	
52 Security and monitoring services	-	88,904	1,905	-	-	90,809	54,222	
53 Data processing services	172,514	79,884	85,159	-	-	337,557	263,565	
71 Debt service	-	-	-	-	826,349	826,349	913,936	
81 Fund Raising	120,299	173,658	19,671	1,374	-	315,002	244,091	
	<u>\$ 9,758,933</u>	<u>\$ 2,070,049</u>	<u>\$ 1,192,304</u>	<u>\$ 955,937</u>	<u>\$ 826,349</u>	<u>\$ 14,803,572</u>	<u>\$ 13,804,515</u>	

ARISTOI CLASSICAL ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 14 - Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the date of the statement of financial position, comprise the following:

Cash and cash equivalents	\$	5,364,868
Receivables		1,357,429
Total	\$	<u>6,722,297</u>

Per the Texas Education Agency, Foundation School Program revenues should be classified as revenue with donor restrictions. However, the funds do not have a time restriction, but must be used for education purposes in accordance with State law. As such, there are cash and receivables that are due from the State and are available for use for educational purposes.

Note 15 - Charter Holder Operations

The charter holder only operated a single charter school and did not conduct any other charter or non-charter activities.

Note 16 - Related Party

There were no related parties to report for fiscal year 2023.

Note 17 - Management's Review of Subsequent Events

There were no subsequent events to be reported after the date of this report.



SUPPLEMENTARY INFORMATION

ARISTOI CLASSICAL ACADEMY, INC.
SCHEDULES OF EXPENSES
For the Years Ended August 31, 2023 and 2022

		August 31,	
		2023	2022
	Expenses		
6100	Payroll Costs	\$ 9,758,933	\$ 8,753,044
6200	Professional and Contract Services	2,070,049	2,154,407
6300	Supplies and Materials	1,192,304	1,130,304
6400	Other Operating Costs	955,937	852,824
6500	Debt	826,349	913,936
	Total Expenses	<u>\$ 14,803,572</u>	<u>\$ 13,804,515</u>

ARISTOI CLASSICAL ACADEMY, INC.**SCHEDULES OF CAPITAL ASSETS***For the Year Ended August 31, 2023*

		Ownership Interest		
		Local	State	Federal
1110	Cash and cash equivalents	\$ -	\$ 3,768,200	\$ -
1510	Land and improvements	-	3,809,556	-
1520	Building & leasehold improvements	-	10,464,730	-
1531	Vehicles	-	17,282	-
1539	Furniture and equipment	-	250,193	-
1550	Right-to-Use Asset	-	2,351,955	-
	Total Property & equipment	\$ -	\$ 20,661,916	\$ -

ARISTOI CLASSICAL ACADEMY, INC.
BUDGETARY COMPARISON SCHEDULE
For the Year Ended August 31, 2023

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	<u>Variance from Final Budget</u>
Revenues				
	Local Support:			
5700	\$ 680,000	\$ 740,000	\$ 868,631	\$ 128,631
5800	12,376,800	12,376,800	12,685,516	308,716
5900	1,018,715	1,093,715	1,082,105	(11,610)
Total Revenues	14,075,515	14,210,515	14,636,252	425,737
Expenses				
11	7,262,559	7,262,559	7,711,761	(449,202)
12	22,881	22,881	22,917	(36)
	Curriculum Development and Instructional			
13	113,262	113,262	108,236	5,026
21	82,558	82,558	83,317	(759)
23	1,297,092	1,282,092	1,395,708	(113,616)
31	267,277	292,277	304,339	(12,062)
33	127,107	127,107	136,685	(9,578)
35	317,042	432,042	513,980	(81,938)
36	167,700	167,700	168,147	(447)
41	932,991	884,991	912,926	(27,935)
51	1,868,464	1,868,464	1,875,839	(7,375)
52	67,400	67,400	90,809	(23,409)
53	341,052	341,052	337,557	3,495
71	817,225	930,225	826,349	103,876
81	362,039	312,039	315,002	(2,963)
Total Expenses	14,046,649	14,186,649	14,803,572	(616,923)
	28,866	23,866	(167,320)	(191,186)
Change in net assets				
Beginning net assets	<u>7,284,994</u>	<u>7,284,994</u>	<u>7,284,994</u>	<u>-</u>
Ending net assets	<u>\$ 7,313,860</u>	<u>\$ 7,308,860</u>	<u>\$ 7,117,674</u>	<u>\$ (191,186)</u>

Budget Variances

In accordance with Module 2, Section 2.3.2.8 of the Financial Accountability System Resource Guide Version 18, if the original and final budgeted amounts vary by more than 10 percent of the original budgeted amounts, the charter holder must include a written statement discussing the cause of the variance(s). The variance explanations below describe the variances noted.

If the actual and final budgeted amounts vary by more than 10 percent of the final budgeted amounts, the charter holder must include a written statement discussing the cause of the variance(s). The Academy provides the following explanations for each of the variances noted:

Object 5700	Additional revenue received due to increased student participation in extracurricular activities.
Function 35	Large increase in food costs and substitution due to unavailability of some food items.
Function 52	The Academy installed crisis alert equipment and software to meet safety standards.
Function 71	Higher than anticipated interest expense related to leases.
Function 81	Resignation of Development Director who was not immediately replaced.

Corrective Action Plan

The Academy will carefully review each function category to adhere to the requirements.

ARISTOI CLASSICAL ACADEMY, INC.
SCHEDULE OF REAL PROPERTY OWNERSHIP INTEREST
For the Year Ended August 31, 2023

Description (list each parcel separately)	Property Address	Total Assessed Value	Ownership Interest - Local	Ownership Interest - State	Ownership Interest - Federal
Lower Campus	5618 Eleventh St., Katy, TX 77493	\$ 2,711,474	\$ -	\$ 101,460	\$ -
Upper Campus	5610 Morton Rd., Katy, TX 77493	365,551	-	3,708,095	-
Total		<u>\$ 3,077,025</u>	<u>\$ -</u>	<u>\$ 3,809,555</u>	<u>\$ -</u>

ARISTOI CLASSICAL ACADEMY, INC.
SCHEDULE OF RELATED PARTY TRANSACTIONS
For the Year Ended August 31, 2023

Related Party Name	Name of Relation to the Related Party	Relationship	Type of Transaction	Description of Terms and Conditions	Source of Funds Used	Payment Frequency	Total Paid During FY	Principal Balance Due
N/A	N/A	N/A	Nonfinancial		N/A	N/A	\$ -	N/A

ARISTOI CLASSICAL ACADEMY, INC.
SCHEDULE OF COMPENSATION AND BENEFITS
For the Year Ended August 31, 2023

Related Party Name	Name of Relation of the Related Party	Relationship	Compensation or Benefit	Payment Frequency	Description	Source of Funds Used	Total Paid During FY
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

ARISTOI CLASSICAL ACADEMY, INC.**COMPENSATORY EDUCATION PROGRAM AND BILINGUAL EDUCATION PROGRAM COMPLIANCE RESPONSES***For the Year Ended August 31, 2023*

Data Codes	Section A: Compensatory Education Programs	Responses
AP1	Did your LEA expend any state compensatory education program state allotment funds during the district's fiscal year?	Yes
AP2	Does the LEA have written policies and procedures for its state compensatory education program?	Yes
AP3	List the total state allotment funds received for state compensatory education programs during the district's fiscal year.	\$ 502,107
AP4	List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year. (PICs 24, 26, 28, 29, 30)	\$ 480,665
Section B: Bilingual Education Programs		
AP5	Did your LEA expend any bilingual education program state allotment funds during the LEA's fiscal year?	Yes
AP6	Does the LEA have written policies and procedures for its bilingual education program?	Yes
AP7	List the total state allotment funds received for bilingual education programs during the LEA's fiscal year.	\$ 27,063
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PIC 25)	\$ 9,671



COMPLIANCE AND INTERNAL CONTROLS



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
Aristoi Classical Academy, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Aristoi Classical Academy, Inc. (the "Academy"), which comprise the statement of financial position as of August 31, 2023, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 22, 2024.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Academy's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Academy's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

To the Board of Directors
Aristoi Classical Academy, Inc.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Academy's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Handwritten signature in black ink that reads "Whitley Penn LLP". The signature is written in a cursive, flowing style.

Houston, Texas
January 22, 2024

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors
Aristoi Classical Academy, Inc.

Report on Compliance for Each Major Federal Program

Opinion on Each Major Program

We have audited Aristoi Classical Academy, Inc.'s (the "Academy") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Academy's major federal programs for the year ended August 31, 2023. The Academy's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Academy complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Academy and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Academy's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Academy's federal programs.

To the Board of Directors
Aristoi Classical Academy, Inc.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Academy's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Academy's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Academy's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the Academy's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

To the Board of Directors
Aristoi Classical Academy, Inc.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Whitley Penn LLP

Houston, Texas
January 22, 2024

ARISTOI CLASSICAL ACADEMY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended August 31, 2023

I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness (es) identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness (es) identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Type of auditors' report issued on compliance with major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 (a)?	No

Identification of major programs:

<u>Name of Federal Program or Cluster</u>	<u>Assistance Listing Number (ALN)</u>
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US Department of Education

<i>ARP, TCLASS ESSER III (COVID-19)</i>	84.425U
<i>ESSER Supplemental (COVID-19)</i>	84.425U
<i>CRRSAA, ESSER II (COVID-19)</i>	84.425D
<i>ARP, ESSER III Grant (COVID-19)</i>	84.425U

Dollar Threshold Considered Between Type A and Type B Federal Programs	\$750,000
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Auditee qualified as low risk auditee?	Yes
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ARISTOI CLASSICAL ACADEMY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
For the Year Ended August 31, 2023

II. Financial Statement Findings

None Reported

III. Federal Awards Findings And Questioned Costs

None Reported

ARISTOI CLASSICAL ACADEMY, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended August 31, 2023

(1) Federal Grantor/ Pass-Through Grantor/ Program Title	District Fund Number	(2) Assistance Listing Number	(2A) Pass-Through Entity Identifying Number	(3) Federal Expenditures
U. S. Department of Education				
Passed Through Texas Education Agency:				
<i>ESEA, Title I, Part A - Improving Basic Programs</i>	211	84.010A	22610101101803	\$ 22,774
<i>IDEA-B Formula</i>	224	84.027A	236600011018036600	179,387
<i>IDEA-B Formula</i>	224	84.027A	246600011018036600	22,974
<i>IDEA-B Preschool</i>	225	84.173A	236610011018036610	980
<i>Total Special Education Cluster (ALN 84.027, 84.173)</i>				<u>203,341</u>
<i>ESEA, Title II, Part A, Supporting Effective Instruction</i>	255	84.367A	22694501101803	8,987
<i>ESEA, Title II, Part A, Supporting Effective Instruction</i>	255	84.367A	23694501101803	32,104
<i>Total ALN 84.267</i>				<u>41,091</u>
<i>ARPA, TCLAS ESSER III (COVID-19)</i>	279	84.425U	21528042101803	181,181
<i>CRRSAA, ESSER II (COVID-19)</i>	281	84.425D	21521001101803	184,559
<i>ARP ESSER III (COVID-19)</i>	282	84.425U	21521001101803	128,644
<i>ESSER Supplemental</i>	283	84.425U	21528043101803	65,214
<i>Total ALN 84.425</i>				<u>559,598</u>
<i>Title IV, Part A</i>	289	84.424A	23680101101803	10,000
Passed Through Region IV:				
<i>Title III, Part A - English Language Acquisition</i>	263	84.365A	2367100110190	2,911
Total U. S. Department of Education				<u>839,715</u>
U. S. Department of Agriculture				
Passed Through Texas Department of Agriculture:				
<i>Equipment Grant</i>	240	10.579	00473	8,098
Noncash Assistance:				
<i>Commodities</i>	240	10.555	00473	20,861
<i>Supply Chain</i>	240	10.555	00473	5,534
Passed Through Texas Education Agency:				
Cash assistance:				
<i>School Breakfast Program</i>	240	10.553	71402301	40,011
<i>National School Lunch Program</i>	240	10.555	71302301	167,886
<i>Total Child Nutrition Cluster (ALN 10.553, 10.555)</i>				<u>234,292</u>
Total U. S. Department of Agriculture				<u>242,390</u>
Total Expenditures of Federal Awards				<u>\$ 1,082,105</u>

ARISTOI CLASSICAL ACADEMY, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1 - Basis of Presentation

The schedule of expenditures of federal awards (“SEFA”) presents federal grant activity of the Academy for the fiscal year ended August 31, 2023, and is reported on the accrual basis of accounting. The information in the SEFA is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Therefore, some amounts presented in the SEFA may differ from amounts presented in, or used in the preparation of, the Academy’s financial statements.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the SEFA are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented when available. The Academy has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 3 - Relationship to Financial Report Submitted to Grantor Agencies

Amounts reflected in the financial reports filed with grantor agencies for the program may not agree with the amounts in the SEFA because of accruals made to present the SEFA on the accrual basis (which would be included in the next report filed with the agencies), as well as matching requirements not included in the SEFA and differences in programs’ year-ends.

Note 4 - Reconciliation of Basic Financial Statements

The following is a reconciliation of expenditures of federal awards and revenues on Statement of Activities:

Total shown on Schedule of Expenditures of Federal Awards	\$ 1,082,105
Federal revenue accounted for in the general fund	-
Total Federal Revenue - Statement of Activities	<u><u>\$ 1,082,105</u></u>

ARISTOI CLASSICAL ACADEMY, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended August 31, 2023

Federal regulations, Title 2 U.S. Code of Federal Regulations Section 200.511 states, "The auditee is responsible for follow-up and corrective action on all audit findings. As part of this responsibility, the auditee must prepare a summary schedule of prior audit findings." The summary schedule of prior audit findings must report the status of the following:

- All audit findings included in the prior audit's schedule of findings and questioned costs and
- All audit findings reported in the prior audit's summary schedule of prior audit findings except audit findings listed as corrected.

I. Prior Audit Findings

None Noted

ARISTOI CLASSICAL ACADEMY, INC.

CORRECTIVE ACTION PLAN

For the Year Ended August 31, 2023

Federal regulations, Title 2 U.S. Code of Federal Regulations §200.511 states, "At the completion of the audit, the auditee must prepare, in a document separate from the auditor's findings described in §200.516 Audit findings, a corrective action plan to address each audit finding included in the current year auditor's reports."

I. Corrective Action Plan

Not Applicable

